



Department of Energy

Western Area Power Administration
Desert Southwest Customer Service Region
P.O. Box 6457
Phoenix, AZ 85005-6457



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Mr. Ray T. Williamson
Acting Director, Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007-2996

Dear Mr Williamson:

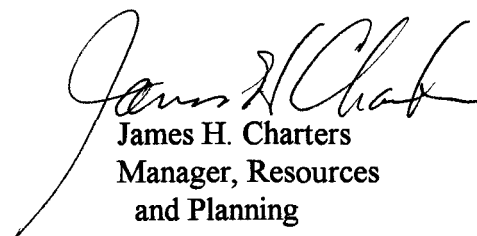
Thank you for the opportunity to provide comments on the proposed Rules in your June 25, 1998 letter. On previous occasions Western Area Power Administration - Desert Southwest Region has outlined to the Commission that it is a Power Marketing Administration under the Department of Energy and the ramifications of that relationship, so it will not be repeated here.

Enclosed are specific comments on the Rules as presented; however, in general there are four areas of concern.

1. The Rules do not provide a means for the Affected Utilities who are Control Areas to continue to control generation necessary for them to be a Control Area.
2. The Rules do not define the Scheduling Coordinator and their relation to the transmission providers and Control Areas sufficiently to know their function and relationship.
3. The Rules are written in such a way that Western will be unable to join the defined Independent Scheduling Administrator due to federal limitation.
4. Western must be able to honor its existing contracts and assure their customers are being served by the transmission provider under contracts between our customers and the Affected Utilities.

Again, thank you for your consideration of our concerns. If you have any questions please call Jim Charters at (602) 352-2586.


Sincerely,


James H. Charters
Manager, Resources
and Planning

Arizona Corporation Commission

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Western Area Power Administration Comments

Western continues to support the Commission in its efforts to provide direct distribution access to the consumers of Arizona and provides the following comments:

A. R14-2-1601 Definitions 6. "Control Area". The Control Area operator has the responsibility to maintain the reliability of the power system. In doing this they match generation to load inside the control area boundary and as imported and exported across the control area boundary with neighboring control areas. This is necessary to assure the stability of the voltage and frequency in the control area and to each and every load. Western is very concerned with how the Commission envisions the ability of a control area to operate when the existing utilities are required to divest generation and the Commission has made no provision for the utility to assure generation for reliable operation of the control area.

Recommended Changes: ...generation to maintain match generation and load within the control area boundary and maintain its interchange schedule ...

B. R14-2-1601 Definitions 7. "Current Transformer (CT)" Energy is measured by a multiplication of Voltage and Current. Thus, a CT does not provide a measurement of energy unless a fixed voltage is assumed. Assumption of a fixed voltage in metering leads to significant inaccuracies which Western would not accept in its program due to the significant loss of revenue associated with such a process.

Recommended Changes: Change to Read: "Current Transformer" (CT) is an electrical device which, when used with a Potential Transformer, provides a measurement of energy consumption for metering purposes.

C. R14-2-1601 Definitions 23. It would be far better to use the FERC Ancillaries Definitions here than to try to make some up.

D. R14-2-1601 Definitions 25. Scheduling Coordinators provide the Control Area or ISA/ISO with a balanced "transaction" of Generation, ancillaries arrangements, Transmission Arrangements, Distribution Arrangements, and Load. These transactions must be in one megawatt increments in order for the bulk transmission control areas to accept the transaction and make it a schedule. While later in the Rules the Energy Service Provider is required to file a Certificate of Convenience and Necessity the Scheduling coordinator is not required to do so. Control Areas and ISA/ISOs will not take the transaction from an entity which: a. Is not financially responsible to pay for the service requested, b. Is not credit worthy, c. Is not able to communicate with the Control Area on a 24X7 basis in case of emergency and curtailment, and d. Is not able to control the transaction to participate in solutions to emergency situations.

Recommended Changes: "Scheduling Coordinator" means an entity that interfaces with the ISA/ISO, Control Areas, Distribution Companies and loads to present balanced power transactions consisting of generation, ancillaries, transmission arrangements, distribution arrangements, and loads. The Scheduling Coordinator is responsible for the payment of the charges for the transaction to the various parties. The Scheduling Coordinator will have a Certificate of Convenience and Necessity from the Commission and will demonstrate credit worthiness as part of that process. Transactions will be in increments of one Megawatt to the Control Area.

E. R14-2-1601 Definitions 34. "Universal Node Identifier" Where will this database reside or how will it be kept unique. Will transmission meters also be contained in this database? If the service is wholesale, is it the Commission's desire that this identifier be applied?

F. R14-2-1603 A. Change to read: Any ~~Scheduling Coordinator or~~ Electric Service Provider ...

G. R14-2-1604 B. The bulk power Systems Control And Data Acquisition (SCADA) and Energy Management Systems (EMS) systems of Western are set with a minimum scheduling level of 1 MW and a minimum increment of 1 MW. Any discussion of schedules below 1 MW are not realistic since they would require extensive changes to the scheduling and accounting systems to no advantage to Western, its Customers, or the bulk power market. If Western is going to participate the minimums for a transmission transaction must meet these criteria.

H. R14-2-1604 Through the removal of generation or generation control from the existing Control Areas (APS, TEP) and the sub-Control Areas (AEPCO, a sub-Control Area of Western (WALC)) the Commission has rendered the primary reliability function ineffective. In the Rule the Commission must restore some amount of control over generation to the Control Area. Without such control the reliability of the power systems is impossible.

I. R14-2-1610 C. Western may not join an Independent Systems Operator or an Independent Scheduling Administrator that has the authority to control Western's ability to repay its debts to Congress or serve its Customers per the provisions of the project legislation. The unilateral ability of an ISA/ISO to determine Available Transmission Capability or Transmission Transfer Capability will preclude Western participation.

Recommended Changes: Add to C1: ~~Available Transmission Capability calculations will be concurred in by non-FERC jurisdictional utilities.~~

J. R14-2-1610 C2. Western cannot allow the unilateral determination of its marketing criteria or ability to market the transmission assets over which it is steward. A provision is required in the establishment of protocols for a participatory process whereby Western can be assured of having its needs addressed. Further, Western must be able to assure that the rights of its customers are not violated by any protocol, determination of transmission system transfer capabilities, committed uses of the transmission system and available transfer capability.

Recommended Changes: Add the following to the paragraph: ~~"Existing contracts, contracts which include provision for renewal or an implied renewal will be honored by the ISA. Path ratings of record or historically established and grand fathered will be honored by the ISA. These recognitions will be honored in the establishment of any protocol, determination of transmission systems transfer capabilities (TTC) and determination of the available transfer capability (ATC). Entities participating in the ISA or ISO who are not FERC or Commission Jurisdictional will retain the rights to administer their systems per their governing laws and as such will not be governed by the ISA but will voluntarily participate and shall have the ability to determine their own TTC and ATC values as prescribed in applicable laws and directives"~~

K. R14-2-1610 C. 3. Western, as a Federal entity, may not waive its rights or assign them to an ADR process.

Recommended Changes: Add: ~~The ISA/ ISO shall make provisions in its processes, procedures and protocols for federal participation in the ISA/ ISO process.~~

L. R14-2-1610 C.4. In the development of the ISA the determination was made that the ISA OASIS and the Control Area OASIS were to be in real time communications with each other. The transaction submitted by the Scheduling Coordinator to the ISA is not a schedule until accepted by the Control Area. Western has many contracts with wholesale customers on the bulk power system at set rates. Western will not increase the

cost to those customers by requiring them to use the ISA. Only those transactions which are pertinent to the distribution loads in Arizona and submitted by the Scheduling Coordinator should be required to use the ISA.

Recommended Changes: Remove "wholesale" from the statement.

M. R14-2-1610 D. The development of an ISA is FERC jurisdictional. The ISA development must allow Western to participate on a voluntary basis. If provisions are not in place which will make it possible for Western to participate by September 1, 1998, Western will not participate. Further, the ISA will have no influence or control over Western's systems without inclusion of appropriate provisions in any ISA governance, incorporation, financing, and staffing. Setting of a deadline for the process does not allow the development in an appropriate manner. Western has repeatedly pointed out that if the Commission establishes the Scheduling Coordinator function, the one "critical functionality", the existing transmission related systems will support Direct Access. Adding a deadline for an ISA did not provide a deadline for the most critical function, the Commission establishment of the Scheduling Coordinator function.

Recommended Changes: Remove the deadline for establishing an ISA and establish a deadline for the Commission to define and implement a Scheduling Coordinator system.

N. R14-2-1610 F. Western has many contracts for firm transmission service and transmission for its firm electric wholesale customers. Western cannot and will not pay for ISA services on existing contracts. Any added contracts or use processed by a Scheduling Coordinator through the ISA can be accepted by Western if capacity is available. These uses should pay for the use of the ISA.

O. R14-2-1610 G. This paragraph is inconsistent with that addressing the Energy Service Provider. It would seem that the Commission views the Energy Service Provider as the interface with the Control Area in the early part of the Rules, and the Scheduling Coordinator in the later part of the Rules. Western indorses the Scheduling Coordinator concept for interface to our process. Western encourages a "certification" of Scheduling Coordinator by the Commission. Western cannot take transactions from entities which are not credit worthy, able to pay for their received services, available 24 hours a day to coordinate curtailments, and does not have the technical expertise to deal effectively in bulk power transactions.

Recommended Changes: Establish the Scheduling Coordinator function as mandatory for interface with the ISA and the Control Areas.

P. R14-2-1611. Western has customers in the service territories of Affected Utilities as a result of long standing agreements and contracts. These existing contracts must be honored by the Commission Rules or some exception made.

Recommended Changes: Add the following: "Existing contracts and agreements made pursuant to federal projects and provisions will be exempt from In-State Reciprocity Rules"

P. R14-2-1610 I. The concept Must-Run requires definition. There are several hydroelectric generators in Arizona Control Areas which are Regulatory Must-Run (to use the California definition). Failure to include these in the must-run criteria subjugates the entire system. Further, in its efforts to separate the generation from transmission the Commission has carefully assured that it is impossible for an Affected Utility to maintain a Control Area function, one of the essential aspects of reliability. Perhaps this section is a good place to define the generation controls and responsibilities for operating a Control Area by the Affected Utilities.

Recommended Changes: Add provision for Control Area support by generation to allow control of generation resources necessary for assurance of reliability. These may be termed must-run if necessary.

Q. R14-2-1613 What is the relationship of a Scheduling Coordinator to an Energy Service Provider? How can a Scheduling Coordinator pay for transmission without receipt of funding for the activity?

Recommended Changes: Add the following Paragraph:

The Energy Service Provide will obtain the services of a Scheduling Coordinator or become a one to be able to interface with the wholesale bulk power transmission system. The Energy Services Provider will pay the Scheduling Coordinator for transmission services obtained and scheduled on their behalf. The ISA and Control Areas will only take transactions from a Scheduling Coordinator or under a prior contract for firm transmission services or firm electric service which included transmission.

R. R14-2-1613. Specific distinction must be made between distribution meters and wholesale meters between bulk power utilities and interconnections. The wholesale metering and interconnection metering systems are in place unless the systems are broken up even further and the Control Areas are lost. There are specific point where the bulk power systems meet the distribution systems. The transmission utilities will be measuring the transfer at these points and charging the Scheduling Coordinators for the transmission used to reach these points. In some cases the retail consumer is large enough that the delivery point of the wholesale power is the same as the distribution interface. Western delivers to municipalities, federal installations, irrigation districts, electrical districts and other "preference" facilities. These are not included in the Commission order, nor should they be included.

S. R14-2-1616 In a discussion above a concern about the ability of an Affected Utility to operate a Control Area was expressed. In this section the Commission needs to define the relationship of generation for support of the Control Area to that being divested. This is not the same as must-run units for maintaining the voltage and frequency in a specific area, it is a responsibility by the utility which is the Control Area to maintain a balance between generation and load, and to assure the reliability of the Control Area and its interface to the neighboring Control Areas. The Commission must provide for this necessity.

Recommended Changes: Add a paragraph as follows:

An Affected Utility which is currently a Control Area will make contractual provisions for continued control of divested generation resources for Control Area purposes and will purchase energy, capacity and ancillaries from these resources necessary to maintain an effective Control Area. Purchasers of the divested resources will submit rates for providing Control Area resources to the Commission for approval. All generation in the state or owned state registered corporations will be subject to providing Control Area generation when called upon by the Control Area Operator in which they are located.

T. R14-2-210 Provision must be made for the Energy Service Provider to pay the scheduling Coordinator.